

DATE: April 19, 2016

TO: Thomas J. Bonfield, City Manager

THROUGH: Keith Chadwell, Deputy City Manager

FROM: Grace Dzidzienyo, Interim Director, Office of Economic and Workforce Development

SUBJECT: Public Hearing and Recommended Agreement for Economic Development Incentive with Self Help Ventures Fund

Executive Summary

This item describes the economic development project proposed by Self Help Ventures Fund within the Community Development Area (CDA) in the City of Durham outside the downtown development tier. It also describes a proposed economic development incentive contract between Self Help Ventures Fund (Self Help).

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1 and
- 2) authorize the City Manager to execute an economic development incentive agreement with Self Help in an amount not to exceed \$250,000.00 for a building renovation project at 2101 Angier Avenue and 2116 Angier Avenue

Background

On April 21, 2014 the City Council approved an economic incentive policy amending the earlier policy approved on April 4, 2011 which included the Neighborhood Revitalization Grant Incentive Program. Projects to be funded through this program are intended to accomplish the following:

- to stimulate economic revitalization by leveraging private investment
- to create and retain permanent full-time livable wage jobs
- to make permanent jobs accessible to lower income neighborhood residents including persons who are unemployed

- to engage community involvement and support
- to strongly encourage local partnerships
- to complement other neighborhood initiatives, projects and programs
- to leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investments must be made within the CDA outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$500,000.00. The policy is “performance-based.” No incentives will be paid to the company until after the company has achieved the terms of the economic incentive agreement.

Self Help has applied to OEWD for a Neighborhood Revitalization Grant Incentive, in support of its proposed redevelopment project in the historic Angier/Driver business district in Northeast Central Durham within the CDA outside the downtown development tier. The proposal consists of \$ 8.5 million economic development project, which consists of renovating two underutilized buildings totaling of 40,000 sf, located at 2101 and 2116 Angier Avenue. The restoration and redevelopment of these two properties will help the continued revitalization of a Northeast Central Durham targeted commercial corridor, which is consistent with Self-Help’s mission is to create and protect ownership and economic opportunity for the community at large.

Self Help has a proven track record in working with OEWD on other neighborhood revitalization projects. The redevelopment of the Old YE Smith School on Driver Street into a space that would eventually be used by Maureen Joy Charter School in East Durham the construction of streetscape enhancements along the right-of-way near the intersection of West Chapel Hill and Kent Streets, were two projects that involved a financial partnership with the OEWD. The total public investment in these projects was \$456,000.00, a matching a private investment of \$14,402,000.00. Both projects were completed on time and benefitted their respective neighborhoods by creating a more walkable and aesthetically pleasing business environment which furthermore, created the opportunity for further private investment and increased potential jobs for local residents.

Issues and Analysis

The Self Help proposal was recommended for funding based on its alignment with the goals and objectives of the Neighborhood Revitalization Grant Incentive Program. The grant program is supported by the RKG Neighborhood Assessment Plan of March 2006. A major priority of the City of Durham is increasing and strengthening the economic stability of the City. Staff endorses this project, which would serve to promote the continued revitalization and vitality Angier /Driver commercial corridor its surrounding neighborhoods. Upon completion, the project will provide:

2116 Angier Avenue

- Make additional parking spaces available for business located in the Angier/ Driver business district;
- Create retail/office employment opportunities for neighborhood residents
- Additional 2500sf of retail/service space created for a health clinic or health food provider

2101 Angier Avenue

- A permanent home for East Durham Children's Initiative;
- High quality but modestly price office spaces for local nonprofits, small business and entrepreneurs;
- Space for licensed daycare for up to 100 children;
- A neighborhood-oriented venue that hosts community concerts, weddings and other prospective events;
- The redevelopment would increase the tax value the City earns on the 2101 Avenue property, even after tax credits are applied.

Self Help requested \$1,100,000.00 from the City of Durham, but the policy limit and internal evaluation justified the amount being recommended. The public commitment of \$250,000.00 sends a strong message to potential investors that would buy New Market and Historic Tax Credits that the City is invested in the deal. Typically, public commitments drive investor confidence. Therefore, the \$250,000 is a stabilizing influence in determining whether two other key sources will be viable for the project. The proposed project will produce \$8,270,896.00 in private investment with \$250, 000.00 in City funding, producing a 33.08:1 ratio of private to public funding. The anticipated sources of capital for the project are as follows:

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<u>Source</u>	<u>Amount</u>	<u>Status</u>
Source 1 Permanent Loan	\$220,000.00	Requesting
Source 2 Self Help Equity	\$350,000.00	Committed
Source 3 New Market Tax Credit Equity Investment	\$2,652,000.00	Requesting
Source 4 Federal Historic Tax Credit Investment	\$782,347.00	Requesting
Source 5	\$391,174.00	Requesting

State Historic Tax Credit Investment		
Source 6		
*Government/Philanthropic	\$2,070,133.00	Requesting
Source 7		
Deferred Developer's Fee	\$523,943.00	Anticipated
Total	\$8,520,897.00	

***Note: OEWD recommendation is to fund \$250,000.00 of the \$ 1,100,000.00 that was requested.**

Other Deliverables

The company must provide the City with evidence of capital investment expenditures for space to be occupied at relevant timeframes.

- The Company shall expend a minimum of \$5,623,709.00 in hard cost and provide the City with evidence of these capital expenditures.
- Adherence to a Durham Workforce Plan will be a contract deliverable and Durham residents will have the opportunity to apply for positions through the Durham JobLink Career Center System.
- An incentive would help create opportunities for Durham-based businesses to bid on construction-related work associated with the project. Adherence to a Durham-based business plan for construction-related trades would be a contract deliverable. It should be noted that the contractor that is likely to be selected to undertake the project will be a Durham-based firm that has a strong familiarity with other local Durham firms and the City's Equal Opportunity Equity Assurance (EOEA) program. Therefore, the likelihood of other Durham businesses participating in this project would increase.

Alternatives

The City Manager may reject the recommendation or may choose to fund the project at a lower amount. Not funding the project would be inconsistent with the Neighborhood Revitalization Grant program in the Community Development Area. The proposed project will have positive effects on the appearance and business climate of the affected locations.

Financial Impact

Funding for this project will come from FY2016 Neighborhood Revitalization Fund line item within the OEWD Budget.

SDBE Summary

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

Attachments:

- Self Help Project Description & Overview

- Neighborhood Incentive Agreement for Self Help